The Great Atlantic & Pacific Tea Company, Inc.

Annual Report 1970

Comparative Highlights

For the Year Ended in February	1971 (52 Weeks)	1970 (53 Weeks)
Sales	$5,664,024,800	$5,753,692,000
Net income	50,129,200	53,301,500
Per share*	2.02	2.15
Per cent of sales	.89%	.93%
Cash dividends	32,338,200	32,310,600
Per share	1.30	1.30
At Year-End		
Working capital	$350,710,500	$335,835,600
Ratio of current assets to current liabilities	2.35	2.29
Stockholders' equity	680,112,400	662,321,400
Per share	27.34	26.63
Shares of common stock outstanding at each year-end	24,875,224	24,874,295
Approximate number of stockholders	47,900	52,700
Approximate number of employees	125,000	130,100
Number of stores	4,427	4,575

*Based on the weighted average number of common shares outstanding each year.

Message to Stockholders

Sales during our fiscal year ended February 27, 1971 were $5.664 billion. While these were less than the total of $5.754 billion for the 53 week fiscal 1969, on an average weekly basis a new record was established.

Earnings were $50,129,200 or $2.02 per share as compared to $53,301,500 or $2.15 per share in 1969.

This year was unusually challenging because of various factors in the economy, as well as many pressures on business that are becoming commonplace in our nation.

Economic activity slowed, but wage demands accelerated at an unprecedented rate. Manufacturing and wholesale costs of the products we sell, as well as the services we require, followed the upward trend. During the year, we continued our program of closing smaller, outmoded stores. While this is improving our base for the future, it did have a depressing effect on sales and earnings during the past year.

In February, Melvin W. Alldredge, Chairman and Chief Executive Officer, announced his retirement after 44 years of service. We all appreciate his dedication and contributions to the Company, and wish him continued good health and happiness in the years ahead.

We expect again in 1971 that many of the economic and social factors which prevailed during the past year will continue. However, we have the confidence and determination to meet the challenge with the same high principles and dedicated effort that have served the Company so well for over a century.

H. J. Kane
Chairman

William Corbus
Vice Chairman

E. H. LePage
Vice Chairman

R. D. Lozano
President

The Great Atlantic & Pacific Tea Company, Inc.

1970 ANNUAL REPORT FOR THE FISCAL YEAR ENDED FEBRUARY 27, 1971

Suffield, Connecticut

Southampton, Long Island

New Orleans, Louisiana

Store Development

During the year, 70 new stores were opened and 218 old stores were closed, for a net decrease of 148 stores. In addition, 37 existing stores were enlarged and remodeled. This is all part of a planned program that will result in a slight decrease in the number of stores, but a substantial increase in the space available in which to serve our customers. The stores that were closed during the year averaged 8,300 square feet of area, while the new stores that were opened during the year averaged 18,500 square feet. The stores currently under construction and those in the planning stage are even larger.

As further evidence of the marketing flexibility of your Company, during the year 228 stores were opened or converted to discount operations as either A&P A-Mart or A&P Discount Food Stores.

In recognition of our responsibility to communities in which we operate, every effort is made to fit the store to the local community. The familiar Early American design blends graciously into most suburban communities, such as Southampton, New York, while in the Revolutionary War Community of Suffield, Connecticut, the architecture is of that period, and in the French Quarter of New Orleans on Royal Street, the A&P has the approval of the Vieux Carre Commission.

We have received many favorable letters and comments from civic and business leaders and A&P customers in this regard.

Merchandising

Inside, our stores also are changing to conform to the desires of the consumer in local marketing areas.

The larger stores permit greater variety in terms of new departments and a more extensive selection of merchandise.

Some of these departments almost become stores within a store, as in the instance of Health and Beauty Aids where as many as 2000 or more items may be stocked.

Expanded frozen food departments offer substantially greater variety in stores where such demand exists. Inner city stores carry a larger line of merchandise favored by minority groups including products produced by black entrepreneurs, and products sought by Spanish speaking consumers.

Our efforts to satisfy the special requirements of our customers by individual stores are aided through studies developed in our own computer center as well as by outside sources. This is an ongoing program that is being expanded.

A much broader line of non-food items frequently found on weekly shopping lists is being added as existing stores are enlarged and bigger stores constructed.

More and more stores include a complete garden center throughout the growing season as exemplified in the photo of our Greenwich, Connecticut store.

Quality shrubs, trees, flowers and all gardening needs, including a complete line of A&P fertilizer and grass seed, are offered at outstanding savings with an unconditional guarantee.

A&P's own line of quality Mellowmood Panty Hose and Hosiery has been expanded, updated and repackaged. A&P is one of the nation's leading retailers of women's hosiery. A recent issue of "Consumer Reports" magazine included a study of panty hose. Among the key findings was the following: "One of these, the A&P at $1.29 gave the most wear of all for the money and also earned particularly high marks for comfort; we think it deserves your special consideration." More and more women are finding A&P's Mellowmood Panty Hose a fine quality product, convenient to purchase, with substantial savings and backed by A&P's unconditional guarantee.

This past year hundreds of A&P and other Company branded products have undergone improvements in package and label design. Besides being more attractive, many of these changes offer additional consumer benefits such as greater convenience in use or better protection for the product. An example of the latter is our new Jane Parker Danish Carousel Coffee Cake, the finest we have ever baked, in a unique, new hexagonal box. The six corners provide additional support and protection for this hand rolled Danish pastry.

In addition to greater customer satisfaction, these designs and packaging improvements can contribute to increased sales of Company branded products with their accompanying higher profitability.

One design that we have not been able to improve upon is nature's own "Coffee Bean." A&P's Eight O'Clock, Red Circle and Bokar bean-fresh coffees have been national bywords for over 50 years.

These outstanding products were exhaustively market tested in pre-ground form during the past year. Test results confirm that we can offer our customers finer, fresher, better-tasting coffee at substantial savings when it is shipped in the "bean" and ground at the time of sale. Doing this preserves all the real coffee aroma and true coffee flavor and provides the ultimate in a fine cup of coffee.

A&P Bean Coffee, particularly Eight O'Clock, is being featured on local and network television. You can take pride in the fact that your Company is providing a true "consumer service" in offering quality, "bean fresh" coffee at meaningful, everyday savings. As our ads state, "There is no finer coffee in any package, at any price."

New Footwear Department . . . Baltimore, Md.

World's Most Popular
Bean Coffee

Jane Parker Danish Carousel . . .
distinctive new package

Garden Center . . . Greenwich, Connecticut

Complete Health & Beauty Aid Department . . . Baltimore, Md.

Plants and Distribution Centers

Larger stores and more extensive product lines require more support from our plants and distribution centers. During 1970, there was considerable development of these support activities. Completed and placed in service during the year were a 72,000 square foot addition to the Atlanta distribution center; a new meat and frozen foods warehouse in New Orleans; a 116,000 square foot addition to the Toronto distribution center; an addition of 92,000 square feet to the Ann Page plant in Terre Haute, Indiana; a new fluid milk plant in High Point, North Carolina; a new perishable grocery warehouse in Secaucus, New Jersey; and a modern 95,000 square foot warehouse for our wholly-owned subsidiary, Super Market Service Corp., in Scranton, Pennsylvania.

Started during the year were a new fluid milk plant in Kentwood, Louisiana; an enlargement of the fluid milk plant in Fort Washington, Pennsylvania; a 64,000 square foot addition to the Albany, New York distribution center; and a new distribution center in Edison, New Jersey. The latter complex, which will total almost 500,000 square feet of buildings, will add to our capabilities of supplying groceries, meat and produce to the metropolitan New York-New Jersey area.

In addition to increasing the space of the various centers, your Company continued its program of modernization of existing facilities by installing the latest handling equipment and techniques.

Personnel Advancement

During the year there were many changes in the Board of Directors, and in the management and mid-management levels of the Company. New directors, elected to serve until the annual meeting were Harold J. Berry, Robert F. Longacre, Hobart Taylor, Jr., Edward J. Toner, and William I. Walsh. Mr. Berry is a Director and Chairman of the Investment Banking Committee of Merrill Lynch, Pierce, Fenner & Smith, Inc. Mr. Taylor is a partner in the law firm of Dawson, Quinn, Riddell, Taylor & Davis, and was formerly a director of the Export-Import Bank. Mr. Toner is a partner of Collins and Toner, attorneys. Mr. Longacre and Mr. Walsh are part of the Company management team.

In February 1971, Melvin W. Alldredge announced his planned retirement from the positions of Chairman of the Board and Chief Executive Officer of the Company. William J. Kane, President of the Company, was elected to succeed Mr. Alldredge as Chairman of the Board and Chief Executive Officer. William Corbus and Edward A. LePage, Executive Vice Presidents, were elected Vice Chairmen. Robert F. Longacre, a Corporate Vice President and President of the Western Region, was elected President of the Company. William I. Walsh, a Corporate Vice President and President of the Eastern Region, was elected Executive Vice President.

Three new corporate officers were elected during the year. These were John J. Cairns, Jr., National Sales Director, who was elevated to Vice President-Merchandising; M. Dean Potts, who was elected Vice President and Secretary, while continuing as Corporate Comptroller, and Robert L. Spencer, Vice President and General Manager of the New Orleans Division, advanced to Vice President and President of the newly formed Southwestern Region.

Other executive advancements during the year included Herschel B. Smith to National Purchasing Director; Louis S. Van Lenten to National Sales Director; William H. Watson to Director of Urban Affairs; and Fred C. Kennedy to Chairman of the Board of the Canadian subsidiary, The Great Atlantic and Pacific Tea Company, Limited.

Promotions involving the position of Vice President-General Manager of retail sales divisions included Jerry Y. Brashear, New Orleans Division (from Jacksonville), Ralph W. Franzen, Milwaukee Division, and Phillip Kramer, Jacksonville Division. Additionally, there were 117 other division promotions to Executive Committee and Supervisory positions.

Consumerism

Properties, products, plants and people, together with the A&P Policy, comprise the greatest food retailing organization in the world.

A&P's concern for the consumer started with our founder, George H. Hartford. His basic premise was offering true consumer value—quality products at substantial savings.

That same policy is still in effect today and is reflected in the A&P Policy sign displayed in all A&P stores.

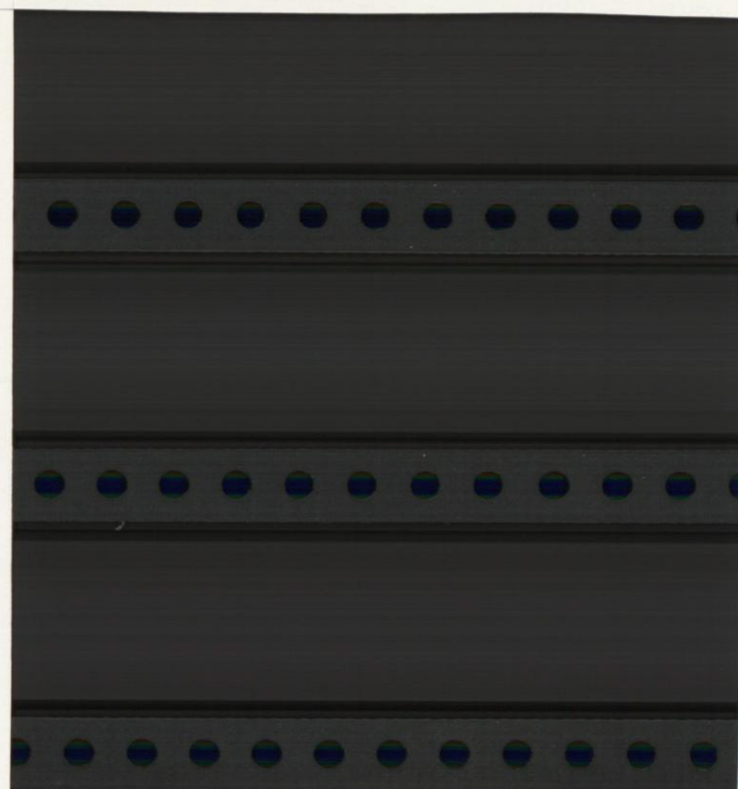
We believe in the importance of "customer confidence" as a basic ingredient to the success of any corporation. Evidence of this confidence in your Company is provided by the more than 20 million customers who shop A&P every week.

This trust has been earned by A&P employees and stems in part from the implementation of A&P policies such as:

1. The side of the meat you do not see is guaranteed to be as good or better than the side that is visible.
2. The same high quality meat and other perishable products are sold in all A&P and A&P A-Mart stores.
3. Prices do not vary based on the type of neighborhood in which a store is located.
4. A&P unconditionally guarantees every product sold regardless of the manufacturer.
5. In the event any advertised special is not available, A&P offers a rain check to permit purchase of the advertised item at the same price the following week.
6. A&P continues to offer fine products under the A&P label at substantial savings without any compromise in quality.

The management wishes to take this opportunity to publicly thank the over 125,000 loyal employees who faithfully carry out these policies for a job well done during the past year.

You are encouraged to examine in detail the financial statements which comprise the remainder of this report.



Consolidated Balance Sheet THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. AND SUBSIDIARY COMPANIES

	February 27, 1971	February 28, 1970
ASSETS		
CURRENT ASSETS:		
Cash	$ 75,198,297	$ 66,820,436
Short-term investments—at cost (approximates market)	16,300,476	24,286,259
Accounts receivable, principally non-trade	34,446,666	31,650,335
Merchandise and supplies—at the lower of average cost or market	463,238,601	456,816,689
Prepaid expenses	21,071,000	16,631,000
Current assets	610,255,040	596,204,719
PROPERTY—NET	353,652,224	344,760,138
DEFERRED CHARGES	14,963,096	16,108,453
Total	$ 978,870,360	$ 957,073,310

[redacted]	$ 253,219,726	$ 252,357,388
[redacted]	6,324,826	8,011,720
[redacted]	259,544,552	260,369,108
[redacted]	23,707,000	19,295,000
[redacted]	15,506,410	15,087,800
[redacted] issued—none		
[redacted] issued 1971—		
[redacted]	24,875,224	24,874,295
[redacted]	377,152,625	377,153,554
[redacted]	278,084,549	260,293,553
[redacted]	680,112,398	662,321,402
[redacted]	$ 978,870,360	$ 957,073,310

Statement of Consolidated Income and Retained Earnings

	52 Weeks to February 27, 1971	53 Weeks to February 28, 1970
Sales	$5,664,024,758	$5,753,691,955
Cost of merchandise sold	4,523,287,830	4,622,312,050
Gross profit	1,140,736,928	1,131,379,905
Store operating, general and administrative expenses	1,052,141,972	1,029,069,154
Profit from operations	88,594,956	102,310,751
Interest income—net	3,034,237	2,890,772
Income before income taxes	91,629,193	105,201,523
United States and foreign income taxes	41,500,000	51,900,000
Net income—1971, $2.02 a share; 1970, $2.15 a share (average shares outstanding)	50,129,193	53,301,523
Retained earnings at beginning of year	260,293,553	238,584,998
Adjustment resulting from poolings of interests	—	717,626
	310,422,746	292,604,147
Cash dividends—$1.30 a share in each year	32,338,197	32,310,594
Retained earnings at end of year	$ 278,084,549	$ 260,293,553

See the accompanying Notes to the Financial Statements.

Accountants' Opinion

HASKINS & SELLS
Certified Public Accountants

To the Board of Directors and Stockholders of The Great Atlantic & Pacific Tea Company, Inc.:

We have examined the consolidated balance sheets of The Great Atlantic & Pacific Tea Company, Inc., and its subsidiary companies as of February 27, 1971 and February 28, 1970 and the related statements of consolidated income and retained earnings and of consolidated source and application of funds for the 52 and 53 weeks, respectively, then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the companies at the respective year ends and the results of their operations and the source and application of their funds for the respective 52 and 53 weeks then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

New York, New York
April 28, 1971

Haskins & Sells

Statement of Consolidated Source and Application of Funds

	52 Weeks to February 27, 1971	53 Weeks to February 28, 1970
	(In Thousands of Dollars)	
SOURCE OF FUNDS:		
From Operations:		
Net income	$ 50,129	$ 53,302
Depreciation and amortization	50,079	50,464
Deferred income taxes (non-current portion)	4,412	4,762
Deferred investment tax credit	(1,491)	(451)
Other	3,109	2,593
Total	106,238	110,670
Sale of property, equipment and fixtures	1,036	3,501
Working capital of acquired companies	—	838
	107,274	115,009
APPLICATION OF FUNDS:		
Expenditures for property, equipment and fixtures	60,062	63,259
Cash dividends	32,338	32,311
Decrease in reserves	—	934
	92,400	96,504
INCREASE IN WORKING CAPITAL (NOTE A)	14,874	18,505
WORKING CAPITAL AT BEGINNING OF YEAR	335,836	317,331
WORKING CAPITAL AT END OF YEAR	$ 350,710	$ 335,836

NOTE A—Following is a summary of the increases in working capital:

Increase (decrease) in current assets:		
Cash and short-term investments	$ 392	$ (10,865)
Merchandise and supplies	6,422	39,755
Other	7,236	9,686
Total	14,050	38,576
Decrease (increase) in current liabilities:		
Accounts payable and accrued expenses	(862)	(21,761)
United States and foreign income taxes	1,686	1,690
Total	824	(20,071)
Increase in working capital	$ 14,874	$ 18,505

See the accompanying Notes to the Financial Statements.

Notes to Financial Statements

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The accounts of Canadian subsidiaries have been translated into U.S. dollars at appropriate rates of exchange. During the year ended in February 1971 the Canadian Government freed the Canadian dollar exchange rate and this resulted in an unrealized gain on translation of the Canadian accounts of $2,808,000. Of this amount, $1,850,000 was credited to consolidated net income, offsetting the amount recognized as a loss in an earlier year, and the remainder has been deferred and is included in Other Reserves in the accompanying consolidated balance sheet.

During the year ended in February 1970, the Company issued 52,274 shares of its common stock in exchange for the outstanding stock of companies in poolings of interests. Capital surplus was increased $68,325 by adjustments relating to poolings. During May 1970, 929 additional shares were issued in connection with the poolings and capital surplus was reduced $929.

Property: Property is summarized as follows:

	At Year End 1971	At Year End 1970
Property—at cost:		
Land	$ 10,030,644	$ 8,709,637
Buildings	72,527,348	71,339,358
Equipment	397,931,768	390,613,225
Total	480,489,760	470,662,220
Less accumulated depreciation	210,082,437	204,461,554
	270,407,323	266,200,666
Store fixtures, at amortized cost	83,244,901	78,559,472
Property—net	$353,652,224	$344,760,138

Depreciation and amortization ($50,078,800 and $50,464,500 in 1971 and 1970, respectively) is provided generally on the straight-line method over the estimated useful lives of the property.

United States and Foreign Income Taxes: The provisions for United States and foreign income taxes for 1971 and 1970 are composed of the following amounts:

	Year Ended In February 1971	Year Ended In February 1970
Current	$38,075,000	$46,286,000
Deferred and prepaid—net	4,916,000	6,065,000
Deferred investment credit—net	(1,491,000)	(451,000)
	$41,500,000	$51,900,000

Deferred income taxes have been provided in recognition of timing differences between income tax and financial statement reporting for certain items, primarily depreciation.

The investment tax credit has been deferred and is being amortized over the estimated useful lives of the assets.

Capital Stock: On June 17, 1969, stockholders approved an increase in the authorized common stock to 40,000,000 shares and a new class of 3,000,000 shares of preferred stock, without par value. The Board of Directors was authorized to issue such preferred stock from time to time in one or more series and to determine the terms and provisions with respect thereto.

Stock Options: Stock Option Plans approved by the stockholders on June 21, 1960 and June 17, 1969, provided that executives and other key employees may be granted options prior to April 21, 1970 (1960 Plan) and April 1, 1979 (1969 Plan) to purchase stock of the Company at the fair market value of the stock on the date of the grant. A summary of transactions affecting the Stock Option Plans is as follows:

	Year Ended In February			
	1971		1970	
	Common Shares	Total Option Price	Common Shares	Total Option Price
Options outstanding, beginning of year	296,806	$ 9,883,809	305,490	$10,341,123
Options granted	244,700	6,821,012	22,700	624,250
Options terminated	(154,456)	(5,297,066)	(31,384)	(1,081,564)
Options outstanding, end of year	387,050	$11,407,755	296,806	$ 9,883,809
Options exercisable, end of year	137,030		213,246	
Shares available for future grants, end of year	255,300		537,280	

At February 27, 1971 and February 28, 1970, there were 642,350 and 834,086 shares, respectively, of the Company's unissued common stock reserved for issuance under the Stock Option Plans.

Retirement Plans: Retirement benefits for substantially all full-time employees are provided under the terms of the companies' Retirement Plans or under the terms of Company and union jointly administered plans. In December 1969, the United States Employees' Retirement Plan was amended to provide improved benefits. Normal costs of the companies' Retirement Plans, and interest on the unfunded prior service cost, are expensed and funded on a current basis. The cost of all plans was $9,659,000 and $9,410,000 for years ended in February 1971 and 1970, respectively.

Long-term Leases: Most operations of the companies are conducted in leased premises. There were approximately 4,700 leases in force on February 27, 1971 (exclusive of leases relating to premises where operations had not commenced, which are of the same type) that were, in general, for periods not exceeding 15 years. The current annual rental of these premises is approximately $105,100,000.

Five-Year Financial Review

(Dollars in thousands, except per share figures)

For the Year Ended in February	1971	1970(c)	1969	1968	1967
Sales	$ 5,664,025	$ 5,753,692	$ 5,436,325	$ 5,458,824	$ 5,475,259
Net income	50,129	53,302	45,247	55,897	56,239
Per share (a)	2.02	2.15	1.82	2.25	2.27
% of sales	.89%	.93%	.83%	1.02%	1.03%
Cash dividends	32,338	32,311	32,265	39,707	37,841
Per share	1.30	1.30	1.30	1.60	1.525
Additions to property	60,062	63,259	61,415	63,357	67,817
Depreciation and amortization	50,079	50,464	50,648	49,856	47,419
At Year End:					
Working capital	$ 350,710	$ 335,836	$ 317,331	$ 310,308	$ 304,705
Current ratio	2.35	2.29	2.32	2.34	2.29
Stockholders' equity	680,112	662,321	640,492	627,366	611,097
Per share (b)	27.34	26.63	25.80	25.28	24.63
Shares of common stock outstanding	24,875,224	24,874,295	24,822,021	24,817,308	24,814,741
Approximate number of stockholders	47,900	52,700	53,400	52,300	54,300
Number of employees	125,000	130,100	131,500	134,900	139,800
Number of stores	4,427	4,575	4,713	4,724	4,693

(a) Based on the weighted average number of common shares outstanding each year.

(b) Based on the number of shares outstanding at each year-end.

(c) 53 weeks; all other years contain 52 weeks.

Directors

HAROLD J. BERRY
R. MANNING BROWN, JR.
WILLIAM CORBUS
DONALD KIRK DAVID
HARRY C. GILLESPIE
WILLIAM J. KANE
JAMES S. KROH
ROBERT F. LONGACRE
EDWARD A. LePAGE
JOHN M. SCHIFF
WILLIAM W. SCRANTON
PERCY A. SMITH
HOBART TAYLOR, JR.
EDWARD J. TONER
WILLIAM I. WALSH
NOBLE F. WHITTAKER
J. ALBERT ZEIGLER

Officers

WILLIAM J. KANE
Chairman and Chief Executive Officer

WILLIAM CORBUS
Vice Chairman

EDWARD A. LePAGE
Vice Chairman

ROBERT F. LONGACRE
President

WILLIAM I. WALSH
Executive Vice President

NOBLE F. WHITTAKER
Senior Vice President

J. ALBERT ZEIGLER
Senior Vice President

HARRY C. GILLESPIE
Vice President-Treasurer

M. DEAN POTTS
Vice President-Secretary

JOHN J. CAIRNS, JR.
Vice President-Merchandising

JAMES S. KROH
Vice President

PERCY A. SMITH
Vice President

ROBERT L. SPENCER
Vice President

Executive Offices

420 Lexington Avenue
New York, N.Y. 10017

Transfer Agent

Morgan Guaranty Trust Company of New York
New York, N.Y.

Registrar

First National City Bank
New York, N.Y.

Notice of Annual Meeting

The Annual Meeting of Stockholders will be held on Tuesday, June 15, 1971 at 10 a.m. (E.D.T.) in the Louisville Marriott Inn, 505 Marriott Drive, Clarksville, Indiana (adjacent to Louisville, Ky.)

The Great Atlantic & Pacific Tea Company, Inc.
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